

PREVAILED

Roll Call No. _____

FAILED

Ayes _____

WITHDRAWN

Noes _____

RULED OUT OF ORDER

HOUSE MOTION _____

MR. SPEAKER:

I move that House Bill 1007 be amended to read as follows:

1 Page 1, between the enacting clause and line 1, begin a new
2 paragraph and insert:

3 "SECTION 1. IC 6-1.1-3-22.1 IS ADDED TO THE INDIANA
4 CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE
5 JULY 1, 2004]: (a) **Except to the extent that it conflicts with a**
6 **statute, 50 IAC 4.3 (as in effect January 1, 2002) is incorporated**
7 **by reference into this section.**

8 (b) **Tangible personal property within the scope of 50 IAC 4.3**
9 **(as in effect January 1, 2002) shall be assessed on the assessment**
10 **dates in calendar years 2005 and thereafter in conformity with 50**
11 **IAC 4.3 (as in effect January 1, 2002).**

12 (c) **The publisher of the Indiana Administrative Code may**
13 **continue to publish 50 IAC 4.3 (as in effect January 1, 2002) in**
14 **the Indiana Administrative Code.**

15 (d) **50 IAC 4.2 and any other rule to the extent that it conflicts**
16 **with this section is void.**

17 (e) **A reference in 50 IAC 4.3 to a governmental entity that has**
18 **been terminated or a statute that has been repealed or amended**
19 **shall be treated as a reference to its successor.**

20 SECTION 2. IC 6-1.1-8-44.1 IS ADDED TO THE INDIANA CODE
21 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
22 1, 2004]: (a) **Except to the extent that it conflicts with a statute, 50**
23 **IAC 5.2 (as in effect January 1, 2002) is incorporated by reference**

1 into this section.

2 (b) Tangible personal property within the scope of 50 IAC 5.2
3 (as in effect January 1, 2002) shall be assessed on the assessment
4 dates in calendar years 2005 and thereafter in conformity with 50
5 IAC 5.2 (as in effect January 1, 2002).

6 (c) The publisher of the Indiana Administrative Code may
7 continue to publish 50 IAC 5.2 (as in effect January 1, 2002) in
8 the Indiana Administrative Code.

9 (d) 50 IAC 5.1 and any other rule to the extent that it conflicts
10 with this section is void.

11 (e) A reference in 50 IAC 5.2 to a governmental entity that has
12 been terminated or a statute that has been repealed or amended
13 shall be treated as a reference to its successor.

14 SECTION 3. IC 6-1.1-10-29, AS AMENDED BY P.L. 192-2002(ss),
15 SECTION 30, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
16 JULY 1, 2004]: Sec. 29. (a) As used in this section, "manufacturer" or
17 "processor" means a person that performs an operation or continuous
18 series of operations on raw materials, goods, or other personal property
19 to alter the raw materials, goods, or other personal property into a new
20 or changed state or form. The operation may be performed by hand,
21 machinery, or a chemical process directed or controlled by an
22 individual. The terms include a person that:

23 (1) dries or prepares grain for storage or delivery; or

24 (2) publishes books or other printed materials.

25 (b) Personal property owned by a manufacturer or processor is
26 exempt from property taxation if the owner is able to show by adequate
27 records that the property

28 ~~(1)~~ is stored and remains in its original package in an in-state
29 warehouse for the purpose of shipment, without further
30 processing, to an out-of-state destination

31 ~~(2) is inventory (as defined in IC 6-1.1-3-11) that will be used in~~
32 ~~an operation or a continuous series of operations to alter the~~
33 ~~personal property into a new or changed state or form and the~~
34 ~~resulting personal property will be shipped; or will be incorporated~~
35 ~~into personal property that will be shipped; to an out-of-state~~
36 ~~destination; or~~

37 ~~(3)~~ consists of books or other printed materials that are stored at
38 an in-state commercial printer's facility for the purpose of
39 shipment, without further processing, to an out-of-state
40 destination.

41 (c) Personal property that is manufactured in Indiana and that would
42 be exempt under subsection ~~(b)(1)~~, (b), except that it is not stored in its
43 original package, is exempt from property taxation if the owner can
44 establish in accordance with exempt inventory procedures, regulations,
45 and rules of the department of local government finance that:

(1) the property is ready for shipment without additional manufacturing or processing, except for packaging; and

(2) either:

(A) the property will be damaged or have its value impaired if it is stored in its original package; or

(B) the final packaging of finished inventory items is not practical until receipt of a final customer order because fulfillment of the customer order requires the accumulation of a number of distinct finished inventory items into a single shipping package.

(d) A manufacturer or processor that possesses personal property owned by another person may claim an exemption under subsection (b) or (c) if:

(1) the manufacturer or processor includes the property on the manufacturer's or processor's personal property tax return; and

(2) the manufacturer or processor is able to show that the owner of the personal property would otherwise have qualified for an exemption under subsection (b)(1), (b)(3), or (c).

SECTION 4. IC 6-1.1-10-29.5, AS AMENDED BY P.L.192-2002(ss), SECTION 31, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 29.5. (a) For purposes of ~~determining under~~ sections 29, 29.3, 30(a), and 30(c) of this chapter, ~~the amount and type of personal property that is shipped or transshipped to an out-of-state destination;~~ the term "adequate record" includes a designation on a bill of lading, freight bill, delivery receipt, manifest, packing slip, or an equivalent document, or a final entry in the records of the taxpayer indicating that property is held for shipment to an out-of-state destination. Such a designation for out-of-state shipment is sufficient for purposes of section 29, 29.3, 30(a), or 30(c) of this chapter even though the specific out-of-state destination of the property is not included in the designation and even though the destination of the property is unknown on the assessment date.

(b) For the purpose of substantiating the amount of ~~his a taxpayer's~~ personal property which is exempt from property taxation under section 29, 29.3, 30(a), or 30(c) of this chapter, ~~on the basis that it is being shipped or transshipped to an out-of-state destination;~~ ~~a the~~ taxpayer shall maintain records that reflect the specific type and amount of personal property claimed to be exempt so that the taxpayer's taxable personal property may be distinguished from ~~his the taxpayer's~~ exempt personal property. In lieu of specific identification, ~~of the taxpayer's personal property that is shipped or transshipped to an out-of-state destination;~~ the taxpayer may elect to establish the value of ~~his the~~ taxpayer's exempt personal property by utilizing an allocation method whereby the exempt personal property is determined by dividing:

(1) the value of the taxpayer's property shipped from the in-state

warehouse to out-of-state destinations during the twelve (12) month period ending with the assessment date; by

(2) the total value of all shipments of the taxpayer's property from the in-state warehouse during the same period of time;

and applying this ratio to the taxpayer's total inventory of personal property that has been placed in the in-state warehouse, that is in the in-state warehouse as of the assessment date, and that meets the other requirements for an exemption under section 29, 29.3, 30(a), or 30(c) of this chapter. If the taxpayer uses the allocation method, ~~he the~~ **taxpayer** shall keep records which adequately establish the validity of the allocation.

(c) If the taxpayer elects to keep a specific inventory, ~~under subsection (b); he the taxpayer~~ shall maintain additional records which reflect:

(1) an accurate inventory of all personal property stored in an in-state warehouse; i.e., both inventory destined for points outside the state and inventory destined for points within the state;

(2) the date of deposit of the inventory in the in-state warehouse;

(3) the date of withdrawal of the inventory from the in-state warehouse; and

(4) the point of ultimate destination of the shipments, if known.

(d) For the purposes of this section, the term "warehouse" includes a commercial printer's facility.

~~(e) A taxpayer may use an allocation percentage to claim an exemption under section 29(b)(2) of this chapter for a part of the person's personal property if the taxpayer's business records substantiate that the allocation percentage accurately reflects the part of the personal property that will:~~

~~(1) be used in an operation or a continuous series of operations to alter the personal property into a new or changed state or form; and~~

~~(2) in its new or changed state or form be:~~

~~(A) shipped; or~~

~~(B) incorporated into personal property that will be shipped; to an out-of-state destination.~~

~~The percentage may include personal property that is sold to another processor or manufacturer if the personal property is incorporated into the personal property of the buyer and that personal property is shipped out of state."~~

Page 4, between lines 40 and 41, begin a new paragraph and insert:

"SECTION 9. IC 6-1.1-12-41, AS ADDED BY P.L.192-2002(ss), SECTION 33, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 41. (a) This section does not apply to assessment years beginning after December 31, 2005.

(b) As used in this section, "assessed value of inventory" means the

assessed value determined after the application of any deductions or adjustments that apply by statute or rule to the assessment of inventory, other than the deduction allowed under subsection (f).

(c) As used in this section, "county income tax council" means a council established by IC 6-3.5-6-2.

(d) As used in this section, "fiscal body" has the meaning set forth in IC 36-1-2-6.

(e) As used in this section, "inventory" has the meaning set forth in IC 6-1.1-3-11.

(f) An ordinance may be adopted in a county to provide that a deduction applies to the assessed value of inventory located in the county. The deduction is equal to one hundred percent (100%) of the assessed value of inventory located in the county for the appropriate year of assessment. An ordinance adopted under this subsection must be adopted before January 1 of a calendar year beginning after December 31, 2002. An ordinance adopted under this section in a particular year applies to each subsequent assessment year ending before January 1, 2006. An ordinance adopted under this section may be consolidated with an ordinance adopted under IC 6-3.5-7-25 (**before its repeal**) or IC 6-3.5-7-26 (**before its repeal**). The consolidation of an ordinance adopted under this section with an ordinance adopted under IC 6-3.5-7-26 (**before its repeal**) does not cause the ordinance adopted under IC 6-3.5-7-26 (**before its repeal**) to expire after December 31, 2005.

(g) An ordinance may not be adopted under subsection (f) after March 30, 2004. However, an ordinance adopted under this section may be amended after March 30, 2004, to consolidate an ordinance adopted under IC 6-3.5-7-26 (**before its repeal**).

(h) The entity that may adopt the ordinance permitted under subsection (f) is:

- (1) the county income tax council if the county option income tax is in effect on January 1 of the year in which an ordinance under this section is adopted;
- (2) the county fiscal body if the county adjusted gross income tax is in effect on January 1 of the year in which an ordinance under this section is adopted; or
- (3) the county income tax council or the county fiscal body, whichever acts first, for a county not covered by subdivision (1) or (2).

To adopt an ordinance under subsection (f), a county income tax council shall use the procedures set forth in IC 6-3.5-6 concerning the imposition of the county option income tax. The entity that adopts the ordinance shall provide a certified copy of the ordinance to the department of local government finance before February 1.

(i) A taxpayer is not required to file an application to qualify for the

1 deduction permitted under subsection (f).

2 (j) The department of local government finance shall incorporate the
3 deduction established in this section in the personal property return
4 form to be used each year for filing under IC 6-1.1-3-7 or
5 IC 6-1.1-3-7.5 to permit the taxpayer to enter the deduction on the
6 form. If a taxpayer fails to enter the deduction on the form, the
7 township assessor shall:

- 8 (1) determine the amount of the deduction; and
- 9 (2) within the period established in IC 6-1.1-16-1, issue a notice
10 of assessment to the taxpayer that reflects the application of the
11 deduction to the inventory assessment.

12 (k) The deduction established in this section must be applied to any
13 inventory assessment made by:

- 14 (1) an assessing official;
- 15 (2) a county property tax board of appeals; or
- 16 (3) the department of local government finance."

17 Page 5, between lines 38 and 39, begin a new paragraph and insert:
18 "SECTION 11. IC 6-1.1-18.5-9.9, AS ADDED BY P.L.272-2003,
19 SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
20 JULY 1, 2004]: Sec. 9.9. (a) The department of local government
21 finance shall adjust the maximum property tax rate levied under the
22 statutes listed in section 9.8(a) of this chapter, IC 6-1.1-19-10, or
23 IC 21-2-15-11 in each county for property taxes first due and payable
24 in:

- 25 (1) 2004;
- 26 (2) the year the county first applies the deduction under
27 IC 6-1.1-12-41 **(before its repeal)** if the county first applies that
28 deduction for property taxes first due and payable in 2005 or
29 2006; and
- 30 (3) 2007 if the county does not apply the deduction under
31 IC 6-1.1-12-41 **(before its repeal)** for any year.

32 (b) If the county does not apply the deduction under IC 6-1.1-12-41
33 **(before its repeal)** for property taxes first due and payable in 2004, the
34 department shall compute the adjustment under subsection (a)(1) to
35 allow a levy for the fund for which the property tax rate is levied that
36 equals the levy that would have applied for the fund if exemptions under
37 IC 6-1.1-10-29(b)(2) did not apply for the 2003 assessment date.

38 (c) If the county applies the deduction under IC 6-1.1-12-41 **(before**
39 **its repeal)** for property taxes first due and payable in 2004, the
40 department shall compute the adjustment under subsection (a)(1) to
41 allow a levy for the fund for which the property tax rate is levied that
42 equals the levy that would have applied for the fund if:

- 43 (1) exemptions under IC 6-1.1-10-29(b)(2); and
- 44 (2) deductions under IC 6-1.1-12-41 **(before its repeal)**;
45 did not apply for the 2003 assessment date.

(d) The department shall compute the adjustment under subsection (a)(2) to allow a levy for the fund for which the property tax rate is levied that equals the levy that would have applied for the fund if deductions under IC 6-1.1-12-41 **(before its repeal)** did not apply for the assessment date of the year that immediately precedes the year for which the adjustment is made.

(e) The department shall compute the adjustment under subsection (a)(3) to allow a levy for the fund for which the property tax rate is levied that equals the levy that would have applied for the fund if deductions under IC 6-1.1-12-42 **(before its repeal)** did not apply for the 2006 assessment date.

SECTION 12. IC 6-1.1-18.5-13, AS AMENDED BY P.L.1-2004, SECTION 22, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 13. With respect to an appeal filed under section 12 of this chapter, the local government tax control board may recommend that a civil taxing unit receive any one (1) or more of the following types of relief:

(1) Permission to the civil taxing unit to increase its levy in excess of the limitations established under section 3 of this chapter, if in the judgment of the local government tax control board the increase is reasonably necessary due to increased costs of the civil taxing unit resulting from annexation, consolidation, or other extensions of governmental services by the civil taxing unit to additional geographic areas or persons.

(2) Permission to the civil taxing unit to increase its levy in excess of the limitations established under section 3 of this chapter, if the local government tax control board finds that the civil taxing unit needs the increase to meet the civil taxing unit's share of the costs of operating a court established by statute enacted after December 31, 1973. Before recommending such an increase, the local government tax control board shall consider all other revenues available to the civil taxing unit that could be applied for that purpose. The maximum aggregate levy increases that the local government tax control board may recommend for a particular court equals the civil taxing unit's share of the costs of operating a court for the first full calendar year in which it is in existence.

(3) Permission to the civil taxing unit to increase its levy in excess of the limitations established under section 3 of this chapter, if the local government tax control board finds that the quotient determined under STEP SIX of the following formula is equal to or greater than one and three-hundredths (1.03):

STEP ONE: Determine the three (3) calendar years that most immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.

STEP TWO: Compute separately, for each of the calendar

years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth (0.0001)) of the sum of the civil taxing unit's total assessed value of all taxable property and the total assessed value of property tax deductions in the unit under IC 6-1.1-12-41 **(before its repeal)** or IC 6-1.1-12-42 **(before its repeal)** in the particular calendar year, divided by the sum of the civil taxing unit's total assessed value of all taxable property and the total assessed value of property tax deductions in the unit under IC 6-1.1-12-41 **(before its repeal)** or IC 6-1.1-12-42 **(before its repeal)** in the calendar year immediately preceding the particular calendar year.

STEP THREE: Divide the sum of the three (3) quotients computed in STEP TWO by three (3).

STEP FOUR: Compute separately, for each of the calendar years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth (0.0001)) of the sum of the total assessed value of all taxable property in all counties and the total assessed value of property tax deductions in all counties under IC 6-1.1-12-41 **(before its repeal)** or IC 6-1.1-12-42 **(before its repeal)** in the particular calendar year, divided by the sum of the total assessed value of all taxable property in all counties and the total assessed value of property tax deductions in all counties under IC 6-1.1-12-41 **(before its repeal)** or IC 6-1.1-12-42 **(before its repeal)** in the calendar year immediately preceding the particular calendar year.

STEP FIVE: Divide the sum of the three (3) quotients computed in STEP FOUR by three (3).

STEP SIX: Divide the STEP THREE amount by the STEP FIVE amount.

The civil taxing unit may increase its levy by a percentage not greater than the percentage by which the STEP THREE amount exceeds the percentage by which the civil taxing unit may increase its levy under section 3 of this chapter based on the assessed value growth quotient determined under section 2 of this chapter.

(4) Permission to the civil taxing unit to increase its levy in excess of the limitations established under section 3 of this chapter, if the local government tax control board finds that the civil taxing unit needs the increase to pay the costs of furnishing fire protection for the civil taxing unit through a volunteer fire department. For purposes of determining a township's need for an increased levy, the local government tax control board shall not consider the amount of money borrowed under IC 36-6-6-14 during the immediately preceding calendar year. However, any increase in the amount of the civil taxing unit's levy recommended by the local government tax control board under this subdivision for the

ensuing calendar year may not exceed the lesser of:

(A) ten thousand dollars (\$10,000); or

(B) twenty percent (20%) of:

(i) the amount authorized for operating expenses of a volunteer fire department in the budget of the civil taxing unit for the immediately preceding calendar year; plus

(ii) the amount of any additional appropriations authorized during that calendar year for the civil taxing unit's use in paying operating expenses of a volunteer fire department under this chapter; minus

(iii) the amount of money borrowed under IC 36-6-6-14 during that calendar year for the civil taxing unit's use in paying operating expenses of a volunteer fire department.

(5) Permission to a civil taxing unit to increase its levy in excess of the limitations established under section 3 of this chapter in order to raise revenues for pension payments and contributions the civil taxing unit is required to make under IC 36-8. The maximum increase in a civil taxing unit's levy that may be recommended under this subdivision for an ensuing calendar year equals the amount, if any, by which the pension payments and contributions the civil taxing unit is required to make under IC 36-8 during the ensuing calendar year exceeds the product of one and one-tenth (1.1) multiplied by the pension payments and contributions made by the civil taxing unit under IC 36-8 during the calendar year that immediately precedes the ensuing calendar year. For purposes of this subdivision, "pension payments and contributions made by a civil taxing unit" does not include that part of the payments or contributions that are funded by distributions made to a civil taxing unit by the state.

(6) Permission to increase its levy in excess of the limitations established under section 3 of this chapter if the local government tax control board finds that:

(A) the township's ~~poor relief township assistance~~ ad valorem property tax rate is less than one and sixty-seven hundredths cents (\$0.0167) per one hundred dollars (\$100) of assessed valuation; and

(B) the township needs the increase to meet the costs of providing ~~poor relief township assistance~~ under IC 12-20 and IC 12-30-4.

The maximum increase that the board may recommend for a township is the levy that would result from an increase in the township's ~~poor relief township assistance~~ ad valorem property tax rate of one and sixty-seven hundredths cents (\$0.0167) per one hundred dollars (\$100) of assessed valuation minus the township's ad valorem property tax rate per one hundred dollars

1 (\$100) of assessed valuation before the increase.

2 (7) Permission to a civil taxing unit to increase its levy in excess
3 of the limitations established under section 3 of this chapter if:

4 (A) the increase has been approved by the legislative body of
5 the municipality with the largest population where the civil
6 taxing unit provides public transportation services; and

7 (B) the local government tax control board finds that the civil
8 taxing unit needs the increase to provide adequate public
9 transportation services.

10 The local government tax control board shall consider tax rates
11 and levies in civil taxing units of comparable population, and the
12 effect (if any) of a loss of federal or other funds to the civil taxing
13 unit that might have been used for public transportation purposes.
14 However, the increase that the board may recommend under this
15 subdivision for a civil taxing unit may not exceed the revenue that
16 would be raised by the civil taxing unit based on a property tax
17 rate of one cent (\$0.01) per one hundred dollars (\$100) of
18 assessed valuation.

19 (8) Permission to a civil taxing unit to increase the unit's levy in
20 excess of the limitations established under section 3 of this chapter
21 if the local government tax control board finds that:

22 (A) the civil taxing unit is:

23 (i) a county having a population of more than one hundred
24 forty-eight thousand (148,000) but less than one hundred
25 seventy thousand (170,000);

26 (ii) a city having a population of more than fifty-five
27 thousand (55,000) but less than fifty-nine thousand (59,000);

28 (iii) a city having a population of more than twenty-eight
29 thousand seven hundred (28,700) but less than twenty-nine
30 thousand (29,000);

31 (iv) a city having a population of more than fifteen thousand
32 four hundred (15,400) but less than sixteen thousand six
33 hundred (16,600); or

34 (v) a city having a population of more than seven thousand
35 (7,000) but less than seven thousand three hundred (7,300);
36 and

37 (B) the increase is necessary to provide funding to undertake
38 removal (as defined in IC 13-11-2-187) and remedial action (as
39 defined in IC 13-11-2-185) relating to hazardous substances
40 (as defined in IC 13-11-2-98) in solid waste disposal facilities
41 or industrial sites in the civil taxing unit that have become a
42 menace to the public health and welfare.

43 The maximum increase that the local government tax control
44 board may recommend for such a civil taxing unit is the levy that
45 would result from a property tax rate of six and sixty-seven
46 hundredths cents (\$0.0667) for each one hundred dollars (\$100)

1 of assessed valuation. For purposes of computing the ad valorem
 2 property tax levy limit imposed on a civil taxing unit under section
 3 3 of this chapter, the civil taxing unit's ad valorem property tax
 4 levy for a particular year does not include that part of the levy
 5 imposed under this subdivision. In addition, a property tax
 6 increase permitted under this subdivision may be imposed for only
 7 two (2) calendar years.

8 (9) Permission for a county:

9 (A) having a population of more than eighty thousand (80,000)
 10 but less than ninety thousand (90,000) to increase the county's
 11 levy in excess of the limitations established under section 3 of
 12 this chapter, if the local government tax control board finds
 13 that the county needs the increase to meet the county's share
 14 of the costs of operating a jail or juvenile detention center,
 15 including expansion of the facility, if the jail or juvenile
 16 detention center is opened after December 31, 1991;

17 (B) that operates a county jail or juvenile detention center that
 18 is subject to an order that:

19 (i) was issued by a federal district court; and

20 (ii) has not been terminated;

21 (C) that operates a county jail that fails to meet:

22 (i) American Correctional Association Jail Construction
 23 Standards; and

24 (ii) Indiana jail operation standards adopted by the
 25 department of correction; or

26 (D) that operates a juvenile detention center that fails to meet
 27 standards equivalent to the standards described in clause (C)
 28 for the operation of juvenile detention centers.

29 Before recommending an increase, the local government tax
 30 control board shall consider all other revenues available to the
 31 county that could be applied for that purpose. An appeal for
 32 operating funds for a jail or a juvenile detention center shall be
 33 considered individually, if a jail and juvenile detention center are
 34 both opened in one (1) county. The maximum aggregate levy
 35 increases that the local government tax control board may
 36 recommend for a county equals the county's share of the costs of
 37 operating the jail or a juvenile detention center for the first full
 38 calendar year in which the jail or juvenile detention center is in
 39 operation.

40 (10) Permission for a township to increase its levy in excess of
 41 the limitations established under section 3 of this chapter, if the
 42 local government tax control board finds that the township needs
 43 the increase so that the property tax rate to pay the costs of
 44 furnishing fire protection for a township, or a portion of a
 45 township, enables the township to pay a fair and reasonable
 46 amount under a contract with the municipality that is furnishing

the fire protection. However, for the first time an appeal is granted the resulting rate increase may not exceed fifty percent (50%) of the difference between the rate imposed for fire protection within the municipality that is providing the fire protection to the township and the township's rate. A township is required to appeal a second time for an increase under this subdivision if the township wants to further increase its rate. However, a township's rate may be increased to equal but may not exceed the rate that is used by the municipality. More than one (1) township served by the same municipality may use this appeal.

(11) Permission for a township to increase its levy in excess of the limitations established under section 3 of this chapter, if the local government tax control board finds that the township has been required, for the three (3) consecutive years preceding the year for which the appeal under this subdivision is to become effective, to borrow funds under IC 36-6-6-14 to furnish fire protection for the township or a part of the township. However, the maximum increase in a township's levy that may be allowed under this subdivision is the least of the amounts borrowed under IC 36-6-6-14 during the preceding three (3) calendar years. A township may elect to phase in an approved increase in its levy under this subdivision over a period not to exceed three (3) years. A particular township may appeal to increase its levy under this section not more frequently than every fourth calendar year.

(12) Permission to a city having a population of more than twenty-nine thousand (29,000) but less than thirty-one thousand (31,000) to increase its levy in excess of the limitations established under section 3 of this chapter if:

(A) an appeal was granted to the city under this section to reallocate property tax replacement credits under IC 6-3.5-1.1 in 1998, 1999, and 2000; and

(B) the increase has been approved by the legislative body of the city, and the legislative body of the city has by resolution determined that the increase is necessary to pay normal operating expenses.

The maximum amount of the increase is equal to the amount of property tax replacement credits under IC 6-3.5-1.1 that the city petitioned under this section to have reallocated in 2001 for a purpose other than property tax relief.

SECTION 13. IC 6-1.1-21-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 1. There is hereby established a special fund to be known as the "property tax replacement fund".

Except as provided in IC 6-2.3-8-1, all taxes or other moneys money deposited in the property tax replacement fund, as provided by law, shall be held and distributed in accordance with the provisions of

1 this chapter and all funds in the property tax replacement fund,
 2 remaining after any distribution provided for in this chapter, shall not
 3 revert to the general fund of the state but shall constitute a revolving
 4 fund for subsequent distribution for the purposes provided for in this
 5 chapter. Any amount earned on moneys deposited in the property tax
 6 replacement fund shall remain in and become part of the property tax
 7 replacement fund.

8 SECTION 14. IC 6-1.1-21-2, AS AMENDED BY P.L.1-2004,
 9 SECTION 33, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 10 JULY 1, 2004]: Sec. 2. As used in this chapter:

11 (a) "Taxpayer" means a person who is liable for taxes on property
 12 assessed under this article.

13 (b) "Taxes" means property taxes payable in respect to property
 14 assessed under this article. The term does not include special
 15 assessments, penalties, or interest, but does include any special charges
 16 which a county treasurer combines with all other taxes in the
 17 preparation and delivery of the tax statements required under
 18 IC 6-1.1-22-8(a).

19 (c) "Department" means the department of state revenue.

20 (d) "Auditor's abstract" means the annual report prepared by each
 21 county auditor which under IC 6-1.1-22-5, is to be filed on or before
 22 March 1 of each year with the auditor of state.

23 (e) "Mobile home assessments" means the assessments of mobile
 24 homes made under IC 6-1.1-7.

25 (f) "Postabstract adjustments" means adjustments in taxes made
 26 subsequent to the filing of an auditor's abstract which change
 27 assessments therein or add assessments of omitted property affecting
 28 taxes for such assessment year.

29 (g) "Total county tax levy" means the sum of:

30 (1) the remainder of:

31 (A) the aggregate levy of all taxes for all taxing units in a
 32 county which are to be paid in the county for a stated
 33 assessment year as reflected by the auditor's abstract for the
 34 assessment year, adjusted, however, for any postabstract
 35 adjustments which change the amount of the aggregate levy;
 36 minus

37 (B) the sum of any increases in property tax levies of taxing
 38 units of the county that result from appeals described in:

39 (i) IC 6-1.1-18.5-13(4) and IC 6-1.1-18.5-13(5) filed after
 40 December 31, 1982; plus

41 (ii) the sum of any increases in property tax levies of taxing
 42 units of the county that result from any other appeals
 43 described in IC 6-1.1-18.5-13 filed after December 31, 1983;
 44 plus

45 (iii) IC 6-1.1-18.6-3 (children in need of services and
 46 delinquent children who are wards of the county); minus

(C) the total amount of property taxes imposed for the stated assessment year by the taxing units of the county under the authority of IC 12-1-11.5 (repealed), IC 12-2-4.5 (repealed), IC 12-19-5, or IC 12-20-24; minus

(D) the total amount of property taxes to be paid during the stated assessment year that will be used to pay for interest or principal due on debt that:

(i) is entered into after December 31, 1983;

(ii) is not debt that is issued under IC 5-1-5 to refund debt incurred before January 1, 1984; and

(iii) does not constitute debt entered into for the purpose of building, repairing, or altering school buildings for which the requirements of IC 20-5-52 were satisfied prior to January 1, 1984; minus

(E) the amount of property taxes imposed in the county for the stated assessment year under the authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(F) the remainder of:

(i) the total property taxes imposed in the county for the stated assessment year under authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(ii) the total property taxes imposed in the county for the 1984 stated assessment year under the authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(G) the amount of property taxes imposed in the county for the stated assessment year under:

(i) IC 21-2-15 for a capital projects fund; plus

(ii) IC 6-1.1-19-10 for a racial balance fund; plus

(iii) IC 20-14-13 for a library capital projects fund; plus

(iv) IC 20-5-17.5-3 for an art association fund; plus

(v) IC 21-2-17 for a special education preschool fund; plus

(vi) IC 21-2-11.6 for a referendum tax levy fund; plus

(vii) an appeal filed under IC 6-1.1-19-5.1 for an increase in a school corporation's maximum permissible general fund levy for certain transfer tuition costs; plus

(viii) an appeal filed under IC 6-1.1-19-5.4 for an increase in

- 1 a school corporation's maximum permissible general fund
- 2 levy for transportation operating costs; minus
- 3 (H) the amount of property taxes imposed by a school
- 4 corporation that is attributable to the passage, after 1983, of a
- 5 referendum for an excessive tax levy under IC 6-1.1-19,
- 6 including any increases in these property taxes that are
- 7 attributable to the adjustment set forth in IC 6-1.1-19-1.5 or
- 8 any other law; minus
- 9 (I) for each township in the county, the lesser of:
- 10 (i) the sum of the amount determined in IC 6-1.1-18.5-19(a)
- 11 STEP THREE or IC 6-1.1-18.5-19(b) STEP THREE,
- 12 whichever is applicable, plus the part, if any, of the
- 13 township's ad valorem property tax levy for calendar year
- 14 1989 that represents increases in that levy that resulted from
- 15 an appeal described in IC 6-1.1-18.5-13(4) filed after
- 16 December 31, 1982; or
- 17 (ii) the amount of property taxes imposed in the township for
- 18 the stated assessment year under the authority of
- 19 IC 36-8-13-4; minus
- 20 (J) for each participating unit in a fire protection territory
- 21 established under IC 36-8-19-1, the amount of property taxes
- 22 levied by each participating unit under IC 36-8-19-8 and
- 23 IC 36-8-19-8.5 less the maximum levy limit for each of the
- 24 participating units that would have otherwise been available for
- 25 fire protection services under IC 6-1.1-18.5-3 and
- 26 IC 6-1.1-18.5-19 for that same year; minus
- 27 (K) for each county, the sum of:
- 28 (i) the amount of property taxes imposed in the county for
- 29 the repayment of loans under IC 12-19-5-6 (repealed) that is
- 30 included in the amount determined under IC 12-19-7-4(a)
- 31 STEP SEVEN for property taxes payable in 1995, or for
- 32 property taxes payable in each year after 1995, the amount
- 33 determined under IC 12-19-7-4(b); and
- 34 (ii) the amount of property taxes imposed in the county
- 35 attributable to appeals granted under IC 6-1.1-18.6-3 that is
- 36 included in the amount determined under IC 12-19-7-4(a)
- 37 STEP SEVEN for property taxes payable in 1995, or the
- 38 amount determined under IC 12-19-7-4(b) for property taxes
- 39 payable in each year after 1995; plus
- 40 (2) all taxes to be paid in the county in respect to mobile home
- 41 assessments currently assessed for the year in which the taxes
- 42 stated in the abstract are to be paid; plus
- 43 (3) the amounts, if any, of county adjusted gross income taxes
- 44 that were applied by the taxing units in the county as property tax
- 45 replacement credits to reduce the individual levies of the taxing
- 46 units for the assessment year, as provided in IC 6-3.5-1.1; plus

(4) the amounts, if any, by which the maximum permissible ad valorem property tax levies of the taxing units of the county were reduced under IC 6-1.1-18.5-3(b) STEP EIGHT for the stated assessment year; plus

(5) the difference between:

(A) the amount determined in IC 6-1.1-18.5-3(e) STEP FOUR; minus

(B) the amount the civil taxing units' levies were increased because of the reduction in the civil taxing units' base year certified shares under IC 6-1.1-18.5-3(e).

(h) "December settlement sheet" means the certificate of settlement filed by the county auditor with the auditor of state, as required under IC 6-1.1-27-3.

(i) "Tax duplicate" means the roll of property taxes which each county auditor is required to prepare on or before March 1 of each year under IC 6-1.1-22-3.

(j) "Eligible property tax replacement amount" is equal to the sum of the following:

(1) Sixty percent (60%) of the total county tax levy imposed by each school corporation in a county **on property other than business personal property and business real property** for its general fund for a stated assessment year.

(2) Twenty percent (20%) of the total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on real property, **excluding business real property**, for a stated assessment year.

(3) Twenty percent (20%) of the total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on tangible personal property, excluding business personal property, for an assessment year.

(k) "Business personal property" means tangible personal property (other than real property) that is being:

(1) held for sale in the ordinary course of a trade or business; or
(2) held, used, or consumed in connection with the production of income.

(l) "Taxpayer's property tax replacement credit amount" means the sum of the following:

(1) Sixty percent (60%) of a taxpayer's tax liability in a calendar year for taxes imposed by a school corporation for its general fund for a stated assessment year **on property other than business personal property and business real property**.

(2) Twenty percent (20%) of a taxpayer's tax liability for a stated assessment year for a total county tax levy (less sixty percent

(60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) on real property, **excluding business real property.**

(3) Twenty percent (20%) of a taxpayer's tax liability for a stated assessment year for a total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) on tangible personal property other than business personal property.

(m) "Tax liability" means tax liability as described in section 5 of this chapter.

(n) "General school operating levy" means the ad valorem property tax levy of a school corporation in a county for the school corporation's general fund.

(o) "Business real property" means real property that is being:

(1) held for sale in the ordinary course of a trade or business;

or

(2) held, used, or consumed in connection with the production of income."

Page 11, between lines 14 and 15, begin a new paragraph and insert:
"SECTION 18. IC 6-2.3-2-1, AS ADDED BY P.L.192-2002(ss), SECTION 47, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 1. ~~An income~~ **A franchise** tax, known as the utility receipts tax, is imposed upon the receipt of:

(1) the entire taxable gross receipts of a taxpayer that is a resident or a domiciliary of Indiana; and

(2) the taxable gross receipts derived from activities or businesses or any other sources within Indiana by a taxpayer that is not a resident or a domiciliary of Indiana.

SECTION 19. IC 6-2.3-8-1, AS ADDED BY P.L.192-2002(ss), SECTION 47, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 1. **(a)** On or before the fifth day of each month, the total amount of utility receipts tax revenues received by the department in the immediately preceding month shall be deposited in the ~~state general property tax replacement~~ **fund established by IC 6-1.1-21-1.**

(b) This subsection applies after December 31, 2004. The department, with the assistance of the department of local government finance, shall determine for each county the quotient of:

(1) the assessed value of all definite situs property in the county and the indefinite situs property attributable to the county under IC 6-1.1-8 owned by all utilities and subject to property taxes under IC 6-1.1; divided by

(2) the assessed value of all property in the state owned by all

1 **utilities and subject to property taxes under IC 6-1.1.**

2 **(c) The department shall distribute annually to the treasurer**
 3 **of a county at the same time as a distribution under IC 6-1.1-21**
 4 **an amount equal to the product of:**

5 **(1) the quotient determined under subsection (b) for the**
 6 **county; multiplied by**

7 **(2) the total amount deposited in the property tax**
 8 **replacement fund under subsection (a) in the taxable year.**

9 SECTION 20. IC 6-3.1-13-12, AS AMENDED BY P.L.224-2003,
 10 SECTION 192, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 11 JULY 1, 2004]: Sec. 12. (a) The economic development for a growing
 12 economy board is established. The board consists of the following
 13 seven (7) members:

14 (1) The director or, upon the director's designation, the executive
 15 director of the department of commerce.

16 (2) The director of the budget agency.

17 (3) The commissioner of the department of state revenue.

18 (4) Four (4) members appointed by the governor, not more than
 19 two (2) of whom may be members of the same political party.

20 (b) The director shall serve as chairperson of the board. Four (4)
 21 members of the board constitute a quorum to transact and vote on the
 22 business of the board.

23 (c) The department of commerce shall assist the board in carrying
 24 out the board's duties under this chapter and IC 6-3.1-26 **(before its**
 25 **repeal).**

26 SECTION 21. IC 6-3.1-13-26, AS AMENDED BY P.L.224-2003,
 27 SECTION 193, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 28 JULY 1, 2004]: Sec. 26. (a) The economic development for a growing
 29 economy fund is established to be used exclusively for the purposes of
 30 this chapter and IC 6-3.1-26 **(before its repeal)**, including paying for
 31 the costs of administering this chapter and IC 6-3.1-26 **(before its**
 32 **repeal).** The fund shall be administered by the department of
 33 commerce.

34 (b) The fund consists of collected fees, appropriations from the
 35 general assembly, and gifts and grants to the fund.

36 (c) The treasurer of state shall invest the money in the fund not
 37 currently needed to meet the obligations of the fund in the same manner
 38 as other public funds may be invested. Interest that accrues from these
 39 investments shall be deposited in the fund.

40 (d) The money in the fund at the end of a state fiscal year does not
 41 revert to the state general fund but remains in the fund to be used
 42 exclusively for the purposes of this chapter. Expenditures from the fund
 43 are subject to appropriation by the general assembly and approval by the
 44 budget agency.

45 SECTION 22. IC 6-3.5-7-5, AS AMENDED BY P.L.224-2003,

SECTION 254, AND AS AMENDED BY P.L.42-2003, SECTION 5, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 5. (a) Except as provided in subsection (c), the county economic development income tax may be imposed on the adjusted gross income of county taxpayers. The entity that may impose the tax is:

- (1) the county income tax council (as defined in IC 6-3.5-6-1) if the county option income tax is in effect on January 1 of the year the county economic development income tax is imposed;
- (2) the county council if the county adjusted gross income tax is in effect on January 1 of the year the county economic development tax is imposed; or
- (3) the county income tax council or the county council, whichever acts first, for a county not covered by subdivision (1) or (2).

To impose the county economic development income tax, a county income tax council shall use the procedures set forth in IC 6-3.5-6 concerning the imposition of the county option income tax.

(b) Except as provided in subsections (c), (g), (k), and (p), ~~and (r)~~ the county economic development income tax may be imposed at a rate of:

- (1) one-tenth percent (0.1%);
- (2) two-tenths percent (0.2%);
- (3) twenty-five hundredths percent (0.25%);
- (4) three-tenths percent (0.3%);
- (5) thirty-five hundredths percent (0.35%);
- (6) four-tenths percent (0.4%);
- (7) forty-five hundredths percent (0.45%); or
- (8) five-tenths percent (0.5%);

on the adjusted gross income of county taxpayers.

(c) Except as provided in subsection (h), (i), (j), (k), (l), (m), (n), (o), or ~~(p)~~, (q), the county economic development income tax rate plus the county adjusted gross income tax rate, if any, that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%). Except as provided in subsection (g) or (p), the county economic development tax rate plus the county option income tax rate, if any, that are in effect on January 1 of a year may not exceed one percent (1%).

(d) To impose, increase, decrease, or rescind the county economic development income tax, the appropriate body must, after January 1 but before April 1 of a year, adopt an ordinance. The ordinance to impose the tax must substantially state the following:

"The _____ County _____ imposes the county economic development income tax on the county taxpayers of _____ County. The county economic development income tax is imposed at a rate of _____ percent (____%) on the county taxpayers of the county.

1 This tax takes effect July 1 of this year."

2 (e) Any ordinance adopted under this chapter takes effect July 1 of
3 the year the ordinance is adopted.

4 (f) The auditor of a county shall record all votes taken on ordinances
5 presented for a vote under the authority of this chapter and shall, not
6 more than ten (10) days after the vote, send a certified copy of the
7 results to the commissioner of the department by certified mail.

8 (g) This subsection applies to a county having a population of more
9 than one hundred forty-eight thousand (148,000) but less than one
10 hundred seventy thousand (170,000). Except as provided in subsection
11 (p), in addition to the rates permitted by subsection (b), the:

12 (1) county economic development income tax may be imposed at
13 a rate of:

14 (A) fifteen-hundredths percent (0.15%);

15 (B) two-tenths percent (0.2%); or

16 (C) twenty-five hundredths percent (0.25%); and

17 (2) county economic development income tax rate plus the county
18 option income tax rate that are in effect on January 1 of a year
19 may equal up to one and twenty-five hundredths percent (1.25%);
20 if the county income tax council makes a determination to impose rates
21 under this subsection and section 22 of this chapter.

22 (h) For a county having a population of more than forty-one
23 thousand (41,000) but less than forty-three thousand (43,000), except
24 as provided in subsection ~~(p)~~, (q), the county economic development
25 income tax rate plus the county adjusted gross income tax rate that are
26 in effect on January 1 of a year may not exceed one and thirty-five
27 hundredths percent (1.35%) if the county has imposed the county
28 adjusted gross income tax at a rate of one and one-tenth percent (1.1%)
29 under IC 6-3.5-1.1-2.5.

30 (i) For a county having a population of more than thirteen thousand
31 five hundred (13,500) but less than fourteen thousand (14,000), ~~except~~
32 ~~as provided in subsection (p)~~, the county economic development
33 income tax rate plus the county adjusted gross income tax rate that are
34 in effect on January 1 of a year may not exceed one and fifty-five
35 hundredths percent (1.55%).

36 (j) For a county having a population of more than seventy-one
37 thousand (71,000) but less than seventy-one thousand four hundred
38 (71,400), ~~except as provided in subsection (p)~~, the county economic
39 development income tax rate plus the county adjusted gross income tax
40 rate that are in effect on January 1 of a year may not exceed one and
41 five-tenths percent (1.5%).

42 (k) This subsection applies to a county having a population of more
43 than twenty-seven thousand four hundred (27,400) but less than
44 twenty-seven thousand five hundred (27,500). ~~Except as provided in~~
45 ~~subsection (p)~~; In addition to the rates permitted under subsection (b):

46 (1) the county economic development income tax may be imposed

at a rate of twenty-five hundredths percent (0.25%); and
 (2) the sum of the county economic development income tax rate
 and the county adjusted gross income tax rate that are in effect on
 January 1 of a year may not exceed one and five-tenths percent
 (1.5%);

if the county council makes a determination to impose rates under this
 subsection and section 22.5 of this chapter.

(l) For a county having a population of more than twenty-nine
 thousand (29,000) but less than thirty thousand (30,000), ~~except as
 provided in subsection (p);~~ the county economic development income
 tax rate plus the county adjusted gross income tax rate that are in effect
 on January 1 of a year may not exceed one and five-tenths percent
 (1.5%).

(m) For:

(1) a county having a population of more than one hundred
 eighty-two thousand seven hundred ninety (182,790) but less than
 two hundred thousand (200,000); or

(2) a county having a population of more than forty-five thousand
 (45,000) but less than forty-five thousand nine hundred (45,900);
~~except as provided in subsection (p);~~ the county economic development
 income tax rate plus the county adjusted gross income tax rate that are
 in effect on January 1 of a year may not exceed one and five-tenths
 percent (1.5%).

(n) For a county having a population of more than six thousand
 (6,000) but less than eight thousand (8,000), ~~except as provided in
 subsection (p);~~ the county economic development income tax rate plus
 the county adjusted gross income tax rate that are in effect on January
 1 of a year may not exceed one and five-tenths percent (1.5%).

(o) This subsection applies to a county having a population of more
 than thirty-nine thousand (39,000) but less than thirty-nine thousand six
 hundred (39,600). ~~Except as provided in subsection (p);~~ In addition to
 the rates permitted under subsection (b):

(1) the county economic development income tax may be imposed
 at a rate of twenty-five hundredths percent (0.25%); and

(2) the sum of the county economic development income tax rate
 and:

(A) the county adjusted gross income tax rate that are in effect
 on January 1 of a year may not exceed one and five-tenths
 percent (1.5%); or

(B) the county option income tax rate that are in effect on
 January 1 of a year may not exceed one and twenty-five
 hundredths percent (1.25%);

if the county council makes a determination to impose rates under this
 subsection and section 24 of this chapter.

~~(p) In addition:~~

~~(1) the county economic development income tax may be imposed~~

at a rate that exceeds by not more than twenty-five hundredths percent (0.25%) the maximum rate that would otherwise apply under this section; and

(2) the:

(A) county economic development income tax; and

(B) county option income tax or county adjusted gross income tax;

may be imposed at combined rates that exceed by not more than twenty-five hundredths percent (0.25%) the maximum combined rates that would otherwise apply under this section:

However, the additional rate imposed under this subsection may not exceed the amount necessary to mitigate the increased ad valorem property taxes on homesteads (as defined in IC 6-1.1-20.9-1) resulting from the deduction of the assessed value of inventory in the county under IC 6-1.1-12-41 or IC 6-1.1-12-42:

(q) If the county economic development income tax is imposed as authorized under subsection (p) at a rate that exceeds the maximum rate that would otherwise apply under this section, the certified distribution must be used for the purpose provided in section 25(c) or 26 of this chapter to the extent that the certified distribution results from the difference between:

(1) the actual county economic development tax rate; and

(2) the maximum rate that would otherwise apply under this section:

~~(r)~~ (p) This subsection applies only to a county described in section 27 of this chapter. *Except as provided in subsection (p);* In addition to the rates permitted by subsection (b), the:

(1) county economic development income tax may be imposed at a rate of twenty-five hundredths percent (0.25%); and

(2) county economic development income tax rate plus the county option income tax rate that are in effect on January 1 of a year may equal up to one and twenty-five hundredths percent (1.25%);

if the county council makes a determination to impose rates under this subsection and section 27 of this chapter.

~~(r)~~ *Except as provided in subsection (p);* (q) The county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%) if the county has imposed the county adjusted gross income tax under IC 6-3.5-1.1-3.3.

SECTION 23. IC 6-3.5-7-25, AS AMENDED BY P.L.272-2003, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 25. (a) This section applies only to a county that has adopted an ordinance under IC 6-1.1-12-41(f) **(before its repeal)**.

(b) For purposes of this section, "imposing entity" means the entity that adopted the ordinance under IC 6-1.1-12-41(f) **(before its repeal)**.

(c) The imposing entity may adopt an ordinance to provide for the use of the certified distribution described in section 16(c) of this chapter for the purpose provided in subsection (e). A county income tax council that adopts an ordinance under this subsection shall use the procedures set forth in IC 6-3.5-6 concerning the adoption of an ordinance for the imposition of the county option income tax. Except as provided in subsection (j), an ordinance must be adopted under this subsection after January 1 but before April 1 of a calendar year. The ordinance may provide for an additional rate under section 5(p) of this chapter. An ordinance adopted under this subsection:

- (1) first applies to the certified distribution described in section 16(c) of this chapter made in the calendar year that immediately succeeds the calendar year in which the ordinance is adopted;
- (2) must specify the calendar years to which the ordinance applies; and
- (3) must specify that the certified distribution must be used to provide for:
 - (A) uniformly applied increased homestead credits as provided in subsection (f); or
 - (B) allocated increased homestead credits as provided in subsection (h).

An ordinance adopted under this subsection may be combined with an ordinance adopted under section 26 of this chapter.

(d) If an ordinance is adopted under subsection (c), the percentage of the certified distribution specified in the ordinance for use for the purpose provided in subsection (e) shall be:

- (1) retained by the county auditor under subsection (g); and
- (2) used for the purpose provided in subsection (e) instead of the purposes specified in the capital improvement plans adopted under section 15 of this chapter.

(e) If an ordinance is adopted under subsection (c), the imposing entity shall use the certified distribution described in section 16(c) of this chapter to increase the homestead credit allowed in the county under IC 6-1.1-20.9 for a year to offset the effect on homesteads in the county resulting from a county deduction for inventory under IC 6-1.1-12-41 **(before its repeal)**.

(f) If the imposing entity specifies the application of uniform increased homestead credits under subsection (c)(3)(A), the county auditor shall, for each calendar year in which an increased homestead credit percentage is authorized under this section, determine:

- (1) the amount of the certified distribution that is available to provide an increased homestead credit percentage for the year;
- (2) the amount of uniformly applied homestead credits for the year in the county that equals the amount determined under subdivision (1); and
- (3) the increased percentage of homestead credit that equates to

the amount of homestead credits determined under subdivision (2).

(g) The increased percentage of homestead credit determined by the county auditor under subsection (f) applies uniformly in the county in the calendar year for which the increased percentage is determined.

(h) If the imposing entity specifies the application of allocated increased homestead credits under subsection (c)(3)(B), the county auditor shall, for each calendar year in which an increased homestead credit is authorized under this section, determine:

(1) the amount of the certified distribution that is available to provide an increased homestead credit for the year; and

(2) an increased percentage of homestead credit for each taxing district in the county that allocates to the taxing district an amount of increased homestead credits that bears the same proportion to the amount determined under subdivision (1) that the amount of inventory assessed value deducted under IC 6-1.1-12-41 **(before its repeal)** in the taxing district for the immediately preceding year's assessment date bears to the total inventory assessed value deducted under IC 6-1.1-12-41 **(before its repeal)** in the county for the immediately preceding year's assessment date.

(i) The county auditor shall retain from the payments of the county's certified distribution an amount equal to the revenue lost, if any, due to the increase of the homestead credit within the county. The money shall be distributed to the civil taxing units and school corporations of the county:

(1) as if the money were from property tax collections; and

(2) in such a manner that no civil taxing unit or school corporation will suffer a net revenue loss because of the allowance of an increased homestead credit.

(j) An entity authorized to adopt:

(1) an ordinance under subsection (c); and

(2) an ordinance under IC 6-1.1-12-41(f) **(before its repeal)**; may consolidate the two (2) ordinances. The limitation under subsection (c) that an ordinance must be adopted after January 1 of a calendar year does not apply if a consolidated ordinance is adopted under this subsection.

SECTION 24. IC 6-5.5-1-17 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 17. (a) "Taxpayer" means a corporation that is transacting the business of a financial institution in Indiana, including any of the following:

(1) A holding company.

(2) A regulated financial corporation.

(3) A subsidiary of a holding company or regulated financial corporation.

(4) Any other corporation organized under the laws of the United

1 States, this state, another taxing jurisdiction, or a foreign
 2 government that is carrying on the business of a financial
 3 institution.

4 **(5) A pass through entity, including the following:**

5 **(A) A corporation that is exempt from the adjusted gross**
 6 **income tax under IC 6-3-2-2.8(2).**

7 **(B) A partnership (as defined in section 19 of this**
 8 **chapter).**

9 **(C) A trust.**

10 **(D) A limited liability company.**

11 **(E) A limited liability partnership.**

12 (b) As used in this section, "holding company" means a corporation
 13 registered under the Bank Holding Company Act of 1956 (12 U.S.C.
 14 1841 through 1849), as in effect on December 31, 1990, or registered
 15 as a savings and loan holding company other than a diversified savings
 16 and loan holding company (as defined in Section 10(a)(F) of the Home
 17 Owners' Loan Act of 1933 (12 U.S.C. 1467a(1)(F)), as in effect on
 18 December 31, 1990).

19 (c) As used in this section, "regulated financial corporation" means:

20 (1) an institution, the deposits, shares, or accounts of which are
 21 insured under the Federal Deposit Insurance Act (12 U.S.C. 1811
 22 through 1833e), as in effect on December 31, 1990;

23 (2) an institution that is a member of a Federal Home Loan Bank;

24 (3) any other bank or thrift institution incorporated or organized
 25 under the laws of a state that is engaged in the business of
 26 receiving deposits;

27 (4) a credit union incorporated and organized under the laws of
 28 this state;

29 (5) a production credit association organized under 12 U.S.C.
 30 2071, as in effect on December 31, 1990;

31 (6) a corporation organized under 12 U.S.C. 611 through 631 (an
 32 Edge Act corporation), as in effect on December 31, 1990;

33 (7) a federal or state agency or branch of a foreign bank (as
 34 defined in 12 U.S.C. 3101, as in effect on December 31, 1990);
 35 or

36 (8) a trust company formed under IC 28-12.

37 (d) For purposes of this section and when used in this article,
 38 "business of a financial institution" means the following:

39 (1) For a holding company, a regulated financial corporation, or
 40 a subsidiary of either, the activities that each is authorized to
 41 perform under federal or state law, including the activities
 42 authorized by regulation or order of the Federal Reserve Board for
 43 such a subsidiary under Section 4(c)(8) of the Bank Holding
 44 Company Act of 1956 (12 U.S.C. 1843(c)(8)), as in effect on
 45 December 31, 1990.

(2) For any other corporation described in subsection (a)(4), all of the corporation's business activities if eighty percent (80%) or more of the corporation's gross income, excluding extraordinary income, is derived from one (1) or more of the following activities:

(A) Making, acquiring, selling, or servicing loans or extensions of credit. For the purpose of this subdivision, loans and extensions of credit include:

- (i) secured or unsecured consumer loans;
- (ii) installment obligations;
- (iii) mortgage or other secured loans on real estate or tangible personal property;
- (iv) credit card loans;
- (v) secured and unsecured commercial loans of any type;
- (vi) letters of credit and acceptance of drafts;
- (vii) loans arising in factoring; and
- (viii) any other transactions with a comparable economic effect.

(B) Leasing or acting as an agent, a broker, or an advisor in connection with leasing real and personal property that is the economic equivalent of the extension of credit if the transaction is not treated as a lease for federal income tax purposes.

(C) Operating a credit card, debit card, charge card, or similar business.

As used in this subdivision, "gross income" includes income from interest, fees, penalties, a market discount or other type of discount, rental income, the gain on a sale of intangible or other property evidencing a loan or extension of credit, and dividends or other income received as a means of furthering the activities set out in this subdivision.

SECTION 25. IC 27-1-18-2, AS AMENDED BY P.L.144-2000, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 2. (a) Every insurance company not organized under the laws of this state, and each domestic company electing to be taxed under this section, and doing business within this state shall, on or before March 1 of each year, report to the department, under the oath of the president and secretary, the gross amount of all premiums received by it on policies of insurance covering risks within this state, or in the case of marine or transportation risks, on policies made, written, or renewed within this state during the twelve (12) month period ending on December 31 of the preceding calendar year. From the amount of gross premiums described in this subsection shall be deducted:

- (1) considerations received for reinsurance of risks within this state from companies authorized to transact an insurance business

1 in this state;

2 (2) the amount of dividends paid or credited to resident insureds,
3 or used to reduce current premiums of resident insureds;

4 (3) the amount of premiums actually returned to residents on
5 account of applications not accepted or on account of policies not
6 delivered; and

7 (4) the amount of unearned premiums returned on account of the
8 cancellation of policies covering risks within the state.

9 (b) A domestic company shall be taxed under this section only in
10 each calendar year with respect to which it files a notice of election.
11 The notice of election shall be filed with the insurance commissioner
12 and the commissioner of the department of state revenue on or before
13 November 30 in each year and shall state that the domestic company
14 elects to submit to the tax imposed by this section with respect to the
15 calendar year commencing January 1 next following the filing of the
16 notice. The exemption from license fees, privilege, or other taxes
17 accorded by this section to insurance companies not organized under
18 the laws of this state and doing business within this state which are
19 taxed under this chapter shall be applicable to each domestic company
20 in each calendar year with respect to which it is taxed under this
21 section. In each calendar year with respect to which a domestic
22 company has not elected to be taxed under this section it shall be taxed
23 without regard to this section.

24 (c) For the privilege of doing business in this state, every insurance
25 company required to file the report provided in this section shall pay
26 into the treasury of this state an amount equal to the excess, if any, of
27 the gross premiums over the allowable deductions. multiplied by the
28 following rate for the year that the report covers:

29 (1) For 2000, two percent (2%).

30 (2) For 2001, one and nine-tenths percent (1.9%).

31 (3) For 2002, one and eight-tenths percent (1.8%).

32 (4) For 2003, one and seven-tenths percent (1.7%).

33 (5) For 2004, one and five-tenths percent (1.5%).

34 (6) For 2005 and thereafter, ~~one and three-tenths two percent~~
35 ~~(1.3%)~~. (2%).

36 (d) Payments of the tax imposed by this section shall be made on a
37 quarterly estimated basis. The amounts of the quarterly installments
38 shall be computed on the basis of the total estimated tax liability for the
39 current calendar year and the installments shall be due and payable on
40 or before April 15, June 15, September 15, and December 15, of the
41 current calendar year.

42 (e) Any balance due shall be paid in the next succeeding calendar
43 year at the time designated for the filing of the annual report with the
44 department.

45 (f) Any overpayment of the estimated tax during the preceding
46 calendar year shall be allowed as a credit against the liability for the first

1 installment of the current calendar year.

2 (g) In the event a company subject to taxation under this section
3 fails to make any quarterly payment in an amount equal to at least:

4 (1) twenty-five percent (25%) of the total tax paid during the
5 preceding calendar year; or

6 (2) twenty per cent (20%) of the actual tax for the current
7 calendar year;

8 the company shall be liable, in addition to the amount due, for interest
9 in the amount of one percent (1%) of the amount due and unpaid for
10 each month or part of a month that the amount due, together with
11 interest, remains unpaid. This interest penalty shall be exclusive of and
12 in addition to any other fee, assessment, or charge made by the
13 department.

14 (h) The taxes under this article shall be in lieu of all license fees or
15 privilege or other tax levied or assessed by this state or by any
16 municipality, county, or other political subdivision of this state. No
17 municipality, county, or other political subdivision of this state shall
18 impose any license fee or privilege or other tax upon any insurance
19 company or any of its agents for the privilege of doing an insurance
20 business therein, except the tax authorized by IC 22-12-6-5. However,
21 the taxes authorized under IC 22-12-6-5 shall be credited against the
22 taxes provided under this chapter. This section shall not be construed
23 to prohibit the levy and collection of state, county, or municipal taxes
24 upon real and tangible personal property of such company, or to
25 prohibit the levy of any retaliatory tax, fine, penalty, or fee provided by
26 law. However, all insurance companies, foreign or domestic, paying
27 taxes in this state predicated in part on their premium income from
28 policies sold and premiums received in Indiana, shall have the same
29 rights and privileges from further taxation and shall be given the same
30 credits wherever applicable, as those set out for those companies
31 paying only a tax on premiums as set out in this section.

32 (i) Any insurance company failing or refusing, for more than thirty
33 (30) days, to render an accurate account of its premium receipts as
34 provided in this section and pay the tax due thereon shall be subject to
35 a penalty of one hundred dollars (\$100) for each additional day such
36 report and payment shall be delayed, not to exceed a maximum penalty
37 of ten thousand dollars (\$10,000). The penalty may be ordered by the
38 commissioner after a hearing under IC 4-21.5-3. The commissioner
39 may revoke all authority of such defaulting company to do business
40 within this state, or suspend such authority during the period of such
41 default, in the discretion of the commissioner.

42 SECTION 26. THE FOLLOWING ARE REPEALED [EFFECTIVE
43 JULY 1, 2004]: IC 6-1.1-10.1; IC 6-1.1-12-42; IC 6-3.1-24;
44 IC 6-3.1-26; IC 6-3.5-7-26.

45 SECTION 27. P.L.120-2003, SECTION 2 IS REPEALED
46 [EFFECTIVE JULY 1, 2004].

1 SECTION 28. THE FOLLOWING ARE REPEALED [EFFECTIVE
2 JANUARY 1, 2005]: IC 6-1.1-3-22; IC 6-1.1-3-23; IC 6-1.1-8-44;
3 IC 6-1.1-10-43; IC 6-1.1-12-41; IC 6-3.1-4.

4 SECTION 29. IC 6-3.5-7-25 IS REPEALED [EFFECTIVE JULY 1,
5 2005].

6 SECTION 30. [EFFECTIVE JANUARY 1, 2005] (a) **This**
7 **SECTION applies to a county that adopts an ordinance under**
8 **IC 6-1.1-12-41(f) (before its repeal) that provides for an additional**
9 **county economic development income tax rate under**
10 **IC 6-3.5-7-5(p) (before its amendment by this act) and that uses**
11 **the additional revenue to increase the homestead credit as**
12 **described in IC 6-3.5-7-25(e) (before its repeal).**

13 (b) **Notwithstanding the repeal of IC 6-3.5-7-25(e), the county**
14 **shall distribute any tax revenue generated by the additional**
15 **county economic development income tax rate under**
16 **IC 6-3.5-7-5(p) (before its amendment by this act) that the county**
17 **has not previously distributed as follows:**

18 (1) **First, to replace revenue lost as a result of the additional**
19 **homestead credit granted under IC 6-3.5-7-25.**

20 (2) **Second, as a certified distribution to the civil taxing units**
21 **in the county.**

22 SECTION 31. [EFFECTIVE JULY 1, 2004] **Notwithstanding their**
23 **repeal by P.L.192-2002(ss), the taxes imposed by the following**
24 **statutes are reinstated for taxable years beginning after**
25 **December 31, 2004, and must be administered under the**
26 **provisions of those statutes as they existed before their repeal:**

27 (1) **IC 6-2.1 (gross income tax).**

28 (2) **IC 6-3-8 (supplemental net income tax).**

29 SECTION 32. [EFFECTIVE JULY 1, 2004] (a) **The legislative**
30 **services agency, under the direction of the code revision**
31 **commission, shall prepare legislation for introduction in the 2005**
32 **session of the general assembly to make conforming changes to**
33 **statutes, as needed, to reconcile the statutes with this act. The**
34 **statutes may include:**

35 (1) **IC 6-3-1 through IC 6-3-7 (adjusted gross income tax).**

36 (2) **IC 6-2.3 (utility receipts tax).**

37 (b) **This SECTION expires June 30, 2006.**

38 SECTION 33. [EFFECTIVE JULY 1, 2004] **The following**
39 **statutes, as amended by this act, apply to taxable years beginning**
40 **after December 31, 2004:**

41 (1) **IC 6-2.3-8-1.**

42 (2) **IC 6-5.5-1-17.**

43 SECTION 34. [EFFECTIVE JULY 1, 2004] **The following**

1 statutes, as added by this act, apply to taxable years beginning
2 after December 31, 2004, and property taxes first due and payable
3 after December 31, 2005:

4 (1) IC 6-1.1-3-22.1.

5 (2) IC 6-1.1-8-44.1.

6 SECTION 35. [EFFECTIVE JULY 1, 2004] The following
7 statutes, as amended by this act, apply to taxable years beginning
8 after December 31, 2004, and property taxes first due and payable
9 after December 31, 2005:

- 1 **(1) IC 6-1.1-10-29.**
- 2 **(2) IC 6-1.1-10-29.5.**
- 3 **(3) IC 6-1.1-21-2.**
- 4 **(4) IC 6-3.5-7-5."**
- 5 Renumber all SECTIONS consecutively.
(Reference is to HB 1007 as printed January 13, 2004.)

Representative Fry